

**United States Department of the Interior**  
**BUREAU OF LAND MANAGEMENT**  
**Colorado State Office**  
**2850 Youngfield Street**  
**Lakewood, Colorado 80215-7093**

February 21, 2006

**In Reply Refer To:**  
3160 (CO-922) P

EMS Transmission 02/23/2006  
Instruction Memorandum No. CO-2006-022  
Expires: 09/30/2007

**To:** All Colorado Field Office Managers

**From:** State Director

**Subject:** Oil and Gas Lease Suspensions of Operations

**Program Area:** Fluid Minerals

**Purpose:** To provide Field Offices (FO) with information on the justification for the granting of oil and gas lease suspensions of operations in times of elevated drilling and completion activities and drilling and work-over rig (rigs) availability shortages.

**Background:** Lease suspension of operations authority can be found under regulation 43 CFR 3103.4-4 and 3165.1. Manual 3160-10 provides the granting of a suspension of operations where the lessee is prevented from operating on the lease by matters beyond the reasonable control of the lessee. The Manual continues and states that a suspension of operations is normally not warranted for failure to “. . . obtain a rig when proper rigs are available in the open market; . . .”

A suspension of operations can be granted when there is production on the lease, but no beneficial use of the lease (i.e., such as access road construction, site preparation, well repair, drilling, or similar activity) is allowed. Since lease production in paying quantities (actual or allocated) would serve to hold a lease into and in an extended term by reason of production, a suspension of operations should be granted only when there is no production on the lease and the lease is in its primary or extended (i.e., such as by drilling and/or elimination from an agreement) term. Otherwise, a suspension of operations for a producing lease would merely allow the existing wells to be produced and not repaired.

**Policy/Action:** The current rig availability shortage provides sufficient justification to grant a suspension of operations. Proper rigs are in short supply in the open market and may represent, in certain situations, a matter beyond the reasonable control of the operator. A pre-requisite in the consideration of a suspension of operations is the desire, by or a proposal from, an operator to conduct operations, such as an Application for Permit to Drill (APD), and is prevented from operating on the lease by matters beyond their reasonable control.

However, at the time of a suspension of operations application, the operator must have been diligently pursuing and will continue to diligently pursue a rig contract. Diligent pursuit includes contacts with rig companies, negotiation with other oil and gas companies that have better access to rigs, and future rig contracts. Documentation of this pursuit needs to be identified in the suspension application (chronology of telephone contacts, letters to rig contractors, future contracts, or agreements for future operations) and a determination made by the Field Office regarding sufficient diligence. An example of when a suspension is not appropriate is if an APD is submitted within a few months of lease expiration and no previous activity has occurred and no activity is planned to secure a proper drilling rig.

The suspension should be approved with termination conditions that include the need for proof of continued diligence to secure a rig, the onset of construction or lease activities, denial of the APD or operational proposal, when no longer necessary, and no later than a justifiable period of time to obtain a rig (six months). If diligent attempts to secure a rig are unsuccessful at the end of the suspension period, then the suspension shall be allowed to terminate. If further lease suspension is deemed appropriate by the Authorized Officer, then another suspension can be issued with revised conditions based on the most recent operator justification.

**Timeframe:** Policy implementation to occur immediately and terminate when the rig shortage subsides.

**Budget Impact:** None.

**Manual/Handbook Sections Affected:** None.

**Coordination:** Coordination must take place with and between the Bureau of Land Management, lease operators and interest holders, and the State Office, as appropriate.

**Contact:** Any questions regarding this interim policy should be directed to Hank Szymanski at 303-239-3797 or Duane Spencer at 303-239-3753.

Signed by:  
Douglas M. Koza  
Associate State Director

Authenticated by:  
Jen Maydan  
Branch of IRM & Access